

GreenPath Debt Solutions – SB 664



GreenPath, Inc., (www.greenpath.org) is a Michigan-based, 501(c)3 non-profit organization that was founded in 1961. GreenPath employs about 350 college-degreed employees at its Farmington Hills headquarters, its call center located in the same building, and at 19 branch offices throughout the state. The organization also employs about 150 additional employees at 31 branch offices in 11 other states.

GreenPath delivers free debt counseling, free financial education, and low-cost debt management services to consumers in all 50 states. We work with consumers who are typically struggling with their finances, and most of our work is provided free of charge. Our core service is a free counseling session, usually lasting 60-90 minutes, in which a counselor learns about the consumer's situation, develops a customized budget, explores options for resolving the financial issues, and provides recommendations as part of an action plan.

MICHIGAN RESIDENTS SERVED IN 2013

13,891	Debt Counseling Sessions
17,295	Bankruptcy Counseling Sessions
1,024	Reverse Mortgage Counseling Sessions
<u>431</u>	Pre-Purchase Housing Counseling Sessions
32,641	<i>Counseling sessions conducted for Michigan residents</i>

3,848	Set up a debt management program in 2013
<u>12,068</u>	Active debt management programs set up prior to 2013
15,916	<i>Michigan residents served on a debt management program</i>

DEBT MANAGEMENT PROGRAM

A small percentage of counseled consumers begin a debt management program. GreenPath charges a one-time set up fee (\$25) and a monthly fee (max \$50, average about \$34) for this service. GreenPath makes payment arrangements with creditors (usually credit card companies) that may reduce interest (1.75% to 10% is typical), waive late and over limit fees, and stop collection calls. Clients pay back the full principal amount, but usually pay much less than they would on their own due to the lower interest and waived fees. This service is regulated by the Michigan Debt Management Act.

WHY SB 664 IS NECESSARY

The Debt Management Act was enacted in 1975, nearly 40 years ago. SB 664 is necessary to reflect updates in technology, changes from traditional to electronic banking, and changes in the way our industry serves consumers. It also clarifies language that will assist auditors in correctly interpreting the intent of the law to protect Michigan consumers.

KEY ELEMENTS MODIFIED BY SB 664

- 1) Does not force consumers to close their debt management program if they face a short-term financial hardship that causes them to make partial deposits over a 60-day period.
- 2) Allows consumers to include any current or past due obligation, including utilities, mortgages, student loans, auto loans and leases, etc., on a debt management program. Including unsecured debt on the program is optional, but many consumers want this assistance, especially if they are struggling to avoid foreclosure, repossession, student loan default, etc.
- 3) Allows consumers to begin a debt management program with a deposit of any amount. This avoids delays and speeds creditor concessions.
- 4) Allows consumers to begin a debt management program if they want to and their counselor determines that they will be able to meet the payment obligations.
- 5) Increases the one-time set up fee for a debt management program from \$25 to \$50, which puts Michigan in line with the 39 other states that allow a \$50 set up fee. Debt counseling and credit counseling remains free of charge.
- 6) Protects consumers by requiring that 51% of their creditors OR creditors representing 51% of their total debt agree to accept proposed payment terms. If consent is not achieved, licensees must notify the consumer to give them the option of closing their program. Only one other state (CA) has consent rules as strict as Michigan.
- 7) Requires licensees to hold client funds in a trust account and, upon request, provide the State with a full accounting of Michigan client funds held in trust and disbursed.
- 8) Licensees are not required to send a proposal to a creditor if it is not in the consumer's best interest. (Such as if they have a short-term 0% interest rate, the creditor does not want to receive proposals on balances less than \$1,000, etc.)
- 9) Allows consumers to purchase optional educational materials or credit reports if they choose to do so.
- 10) Lowers or eliminates monthly fees for consumers who make a partial deposit or fail to deposit program funds. Minimum monthly fee is \$30, while maximum remains at \$50.
- 11) Specifies requirements for advertising and eliminates the cumbersome mandate to submit advertising to the State for approval.
- 12) Enables consumers to enter into another agreement if debt is still owed when the original agreement expires. (Clients lose creditor concessions if their program is closed.)